

## **E-Content for B.B.A. Sem. IV students**

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### **ORGANISATIONAL BUYING BEHAVIOUR**

#### **Individual Vs. Organizational Buying**

##### ***Introduction – Consumer / Individual/Retail buyers***

Consumer buying refers to the buying of final consumers – individuals and households who buy goods and services for personal consumption. In other words consumer buying means the day to day purchases by individuals to satisfy their daily needs. The final consumers make up the consumer market. The world consumer market consists of billions of peoples across the world and they are very different in age, income, education level and tastes. They buy an incredible variety of goods and services as end users. The consumer's choice results from the complex interplay of cultural, social, personal and psychological factors. Although the marketer cannot influence many of these factors, they can be useful in identifying interested buyers and in shaping products and appeals to serve their needs better. Marketers have to be extremely careful in analyzing consumer behavior. Consumers often turn down what appears to be a winning offer.

##### ***Introduction – organizational buyers***

The organizational or business market consists of all the organizations that buy goods and services to use in the production of other products and services that are sold, rented or supplied to others. It also includes retailing and wholesaling firms that acquire goods for the purpose of reselling or renting them to others at a profit.

The business buying process is the decision-making process by which business buyers establish the need for purchased products and services, and identify, evaluate and choose among alternative brands and suppliers. Companies that sell to other business organizations must do their best to understand business markets and business buyer behavior.

#### **Difference between consumer buying and organizational buying**

In some ways, business markets are similar to consumer markets. Both involve people who assume buying roles and make purchase decisions to satisfy needs. However, business markets do differ. The main differences are in market structure and demand, the nature of the buying unit, and the types of decision and the decision process involved.

##### ***1. Market structure and demand***

Business markets are also more geographically concentrated: international financial services in London, petrochemicals around Jamnagar and Vapi in Gujarat and the movie industry in Mumbai these are some examples of it. Further, business demand is derived demand – it ultimately derives from the demand for consumer goods.

Many business markets have **inelastic demand**: that is, total demand for many business products is not affected much by price changes, especially in the short run. A drop in the price of steel will not cause builders of roller coasters to buy much more steel unless it results in lower construction prices, which, in turn, will increase consumer demand for white-knuckle rides. Finally, business markets have more fluctuating demand. Sometimes a rise of only 10 per cent in consumer demand can cause as much as a 200 per cent rise in business demand during the next period.

### ***2. Nature of the buying unit***

Compared with consumer purchases, a business purchase usually involves more buyers and a more professional purchasing effort. Often, business buying is done by trained purchasing agents, who spend their working lives learning how to buy well. The more complex the purchase, the more likely that several people will participate in the decision-making process. Buying committees made up of technical experts and top management are common in the buying of primary goods. Therefore, business marketers must have well-trained salespeople to deal with well-trained buyers.

### ***3. Types of decision and the decision process***

Business buyers usually face more complex buying decisions than do consumer buyers. Purchases often involve large sums of money, complex technical and economic considerations, and interactions among many people at many levels of the buyer's organization. Because the purchases are more complex, business buyers may take longer to make their decisions. For example, the purchase of a large computer system might take many months or more than a year to complete and could involve millions of pounds, thousands of technical details and dozens of people ranging from top management to lower-level users.

The business buying process tends to be more formalized than the consumer buying process. Large business purchases usually call for detailed product specifications, written purchase orders, careful supplier searches and formal approval. The buying firm might even prepare policy manuals that detail the purchase process.

Finally, in the business buying process, buyer and seller are often much more dependent on each other. Consumer marketers are usually at a distance from their customers. In contrast, business marketers may roll up their sleeves and work closely with their customers during all stages of the buying process – from helping customers define problems, to finding solutions, to supporting aftersales operations. In the short run, orders go to suppliers that meet buyers' immediate product and service needs. However, business marketers must also build close long-run relationships with customers. In the long run, business marketers keep a customer's orders by meeting current needs and thinking ahead to meet the customer's future needs.

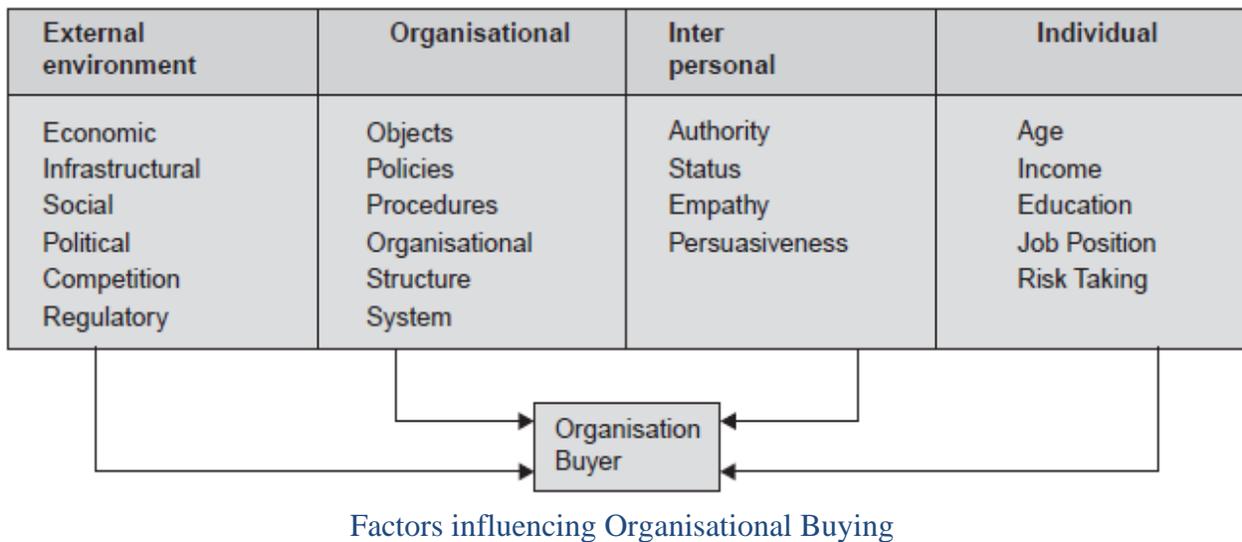
Consumer buying is where the final consumer buys goods and services for the personal consumption. While organizational buying involves purchasing goods and services to produce another good with the intention of reselling it. The main differences in consumer buyers and organizational buyers are basis on market structure and demand, the nature of the buying unit, and the types of decision and the decision process they involved.

## **Factors influencing Organisational Buying Behaviour**

The factors influencing buyer's purchase decisions can be conveniently divided into following categories:

1. **Economics Environment:** Environmental factors constitute an important determinant of organizational purchasing. This includes economic situation, government policy, competitive development in the industry, technological development and their rate of change. For example, if the organizational buyer feels that the government is going to increase tax, which in turn will increase price of a crucial input, its industrial buying is likely to increase and may lead to holding stock as buyer may feel buying will become costly in future due to tax burden. An organization buyer may update his technology if machinery is available at fair rates and interest charges are low. Purchases will be made at lower level, if the recession trends are clearly visible in the economy. An industrial purchaser will be cautious and careful in his buying decisions so that decision will prove appropriate and will not bring loss to the organization. An industrial purchaser will collect information about economic situation in the country and will take appropriate decisions after analyzing such economic information. He has to give special attention to economic environment while taking purchase decision.
2. **Organizational Factors:** Organizational factors are internal factor affecting buying decision. Every purchasing organization has certain objectives and goals, well established policies and systems for purchasing, and an appropriate organizational structure. These factors directly and indirectly influence its purchase decision. These characteristics provide clues for determining buying decision. The objectives of an organization influence the types of products it needs and the criteria by which it evaluates supplies. Companies frame their procedures/policies for making purchase decision. Government organizations normally use bidding while making a purchase. Products specifications are well established and suppliers have to submit bids as per the general notice. In the case of other industrial purchasers may have different procedures for purchasing, suppliers have to note the procedural differences among the organizations as regards purchases procedures and adjust accordingly. Some companies assign authority for purchase decisions to purchase managers while others do not. Informal relations among people (with the organization) in different positions in a purchase organization can affect buying decisions. In many small family owned firms, centralized structures are used. Purchase decisions require the family's consent. This can delay the purchase decisions. In decentralized structure, quick decisions are possible at the departmental level. Policies like inventory holding and procedures such as payments or bidding also influence purchase decisions of organizational buyers.
3. **Inter-personal factors:** Industrial buying decisions are normally collective and also as per the procedures decided. The buying center involves several individuals with different formal authority, status and persuasiveness. **Buying center** consists of individuals of the organization concerned with purchase decision process. They share the risk arising out of it. They also have a common goal. There is interaction among the members of a buying center as regards purchases to be made. There is also a possibility of conflict among the members (of a buying centre) in marketing buying decision. The suppliers need to know about such conflicts in order to resolve them so that the marketing/purchasing program can be adjusted accordingly. Conflicts among buying center participants need to be solved promptly so that buying will be done promptly i.e. as per the production schedule prepared. A knowledge of group dynamics helps the marketer to settle conflicts and early release of purchase order.

4. **Individual buyers characteristics/individual factors:** In the final analysis, individual factors play an important role in buying decision. The other factors (environmental, organizational, etc.) are important but individuals concerned with purchase decision are equally important. A supplier needs to have complete details of all individuals involved in the purchase decision process. Personal factors/ characteristics include age, education, job position, maturity, etc. as these factors affect individual perception, preference and motivation. Final decision are based on such factors even when their importance is limited in the decision-making. In the final analysis, individual/officer are responsible for taking buying decision far the organization. The make-up of these individual is a major factor influencing buying decision. The supplier has to consider this factor and adjust his sales personnel's accordingly. The industrial buyer may be assertive or may have co-operative attitude. The supplier's representative has to adjust with all types/ categories of industrial buyers in order to finalize purchase deal.



### Organisational Buying Situations

An organization may face there three types of buying situations-

1. ***Straight rebuy situations***  
Straight rebuy is a buying situation in which the buyer routinely reorders something without any modifications. In this routine, orders are placed for office supplies, raw materials, other items of daily use, where the supplier is known and a procedure is already laid down, which is followed in a routine manner.
2. ***Modified rebuy situations***  
The modified rebuy is defined as a business buying situation in which the buyer wants to modify either product specifications, prices, terms, or suppliers .Buyers may change or modify the product according to the situation, *e.g.*, nylon rope for ordinary rope. Plastic washers in place of steel or brass washers, aluminium instead of copper, hydraulic in place of mechanical or even achange in delivery location. This may be done for economic

consideration, or for the ease of procurement, or to modify or change the product. The change may also be due to external or internal environmental changes.

3. *New task*

When a task is performed, items may be bought without previous experience and for the first time. These could be new machines like computer or Fax machines. The need for such a product may not have occurred previously. For a new task, a new set up and new items are necessary, which may not have been purchased before.